

OHIO COMMUNITY REINVESTMENT AREA PROGRAM - SUMMARY

Community Reinvestment Areas are areas of land in which property owners can receive tax incentives for investing in real property improvements. The Community Reinvestment Area (CRA) Program is a direct incentive tax exemption program benefiting property owners who renovate existing or construct new buildings. This program permits municipalities or counties to designate areas where investment has been discouraged as a CRA to encourage revitalization of the existing housing stock and the development of new structures.

The CRA Program was created in 1977. The program underwent major revisions in 1994. Within the framework of the state enabling law, the local legislative authority with jurisdiction over the area (e.g. a city or a village or a county) determines the location of the CRA area as well as the term and extent of the real property exemptions. The Ohio Development Services Agency (ODSA) confirms that the locally designated CRA area contains the characteristics required by Ohio law for a CRA. After ODSA confirms the area, real property tax exemptions for qualifying projects may be approved by the city, village or county.

A municipality or county must undertake a Housing Survey of the structures within the area proposed as a CRA. The results of the survey must support the finding that the area is one in which housing facilities are located and that new construction and renovation is discouraged. The local legislation creating the CRA must contain a statement of finding that the area included in the description is one in which "housing facilities or structures of historical significance are located and new housing construction and repair of existing facilities or structures are discouraged."

All property owners meeting the requirements set forth in the local legislation and planning to undertake a real property improvement can apply to the housing officer designated by the local legislative authority. Residential applications are filed at construction completion, but projects involving commercial or industrial facilities must apply before the project begins. Residential projects in a CRA created after July 1, 1994 receive the percentage and term of the exemption specified within the authorizing legislation. In all commercial and industrial projects in a CRA created after July 1, 1994 the exemption percentage and term are to be negotiated between the property owner and the local legislative authority. An agreement meeting the standards set forth in Ohio Revised Code Section 3735.671 must be finalized prior to the commercial or industrial project going forward.

Local municipalities or counties can determine the type of development to be supported by the CRA Program by specifying the eligibility of residential, commercial and/or industrial projects. The CRA Program is a permanent tax exemption incentive program, which does not have a sunset provision. Local legislative authorities may wish to include an annual review or renewal clause to ensure the program is meeting expectations. The local legislative authority must designate a Housing Officer to review applications and to serve as the program lead. In addition, the local legislative authority must create Tax Incentive Review Council to review performance on all agreements and projects.

| CRA PROGRAMS BENEFITS | PRE JULY 1, 1994 CRA | POST JULY 1, 1994 CRA |
|--|---|---|
| EXEMPTION LEVELS: | | |
| Real Property | Must be 100% | Up to 100% ** |
| Personal Property | None | None |
| Inventory | None | None |
| TERM EXEMPTIONS: | | |
| Residential Remodeling (2 units or less; minimum \$2500) | Up to 10 years as specified in the legislation that creates the CRA | Up to 10 years as specified in the legislation that creates the CRA |
| Residential Remodeling (more than 2 units; minimum \$5000) | Up to 12 years as specified in the legislation that creates the CRA | Up to 12 years as specified in the legislation that creates the CRA |
| Residential New Construction | Up to 15 years as specified in the legislation that creates the CRA | Up to 15 years as specified in the legislation that creates the CRA |
| Commercial and Industrial Remodeling (minimum \$5000) | Up to 12 years as specified in the legislation that creates the CRA | Up to 12 years as negotiated and approved in an CRA Agreement |
| Commercial and Industrial New Construction | Up to 15 years as specified in the legislation that creates the CRA | Up to 15 years as negotiated and approved in an CRA Agreement |

** The exemption percentage and term for commercial and industrial projects are to be negotiated on a project specific basis. If the proposed exemption exceeds 50%, local school district consent is required unless the legislative authority determines, for each year of the proposed exemption, that at least 50% of the amount of the taxes estimated that would have been charged on the improvements if the exemption had not taken place will be made up by other taxes or payments available to the school district. Upon notice of a project that does not meet this standard, the board of education may approve the project even though the new revenues do not equal at least 50% of the projected taxes prior to the exemption.

While the CRA Program is primarily a housing oriented incentive, it does have considerable value as an economic development tool. It is extremely important for both property owners and local governments to realize the significance of the local authorization date. Of importance, a CRA created after July 1, 1994 must receive confirmation from the Director of ODSA prior to formally granting a real property tax incentive.

In a municipality which has a local income tax, any project which will generate a new annual payroll of one million dollars or more, the municipality and the board of education must negotiate a revenue sharing agreement outlining the manner and procedure of the agreed upon compensation. If no agreement is reached within six months of the finalization of the CRA Agreement, then the income tax revenues generated by the new employees will be split 50/50 between the municipality and board of education.

The CRA Program includes many notice requirements. The Housing Officer must notify the affected board of education a minimum of 14 days prior to certifying any residential, commercial and industrial project to the County Auditor for exemption in a CRA created prior to July 1, 1994. In a CRA created after July 1, 1994, notice of all commercial and industrial projects must be given to the affected board of education a minimum of 14 days prior to the formal review of the agreement by the local legislative authority. If the proposed commercial or industrial exemption agreement exceeds 50%, a 45-business day notice is required. School boards may, however, waive or reduce the notice time periods for specific projects or on a program wide basis.

Note that if a CRA Agreement is proposed which provides an exemption greater than 50%, the local legislative authority must request the board of education's approval a minimum of 45 business days prior to the scheduled local legislative review. The board of education, by resolution adopted by a majority of the board, shall approve or disapprove the agreement and certify a copy of the resolution to the legislative authority not later than fourteen days before the legislative authority formally considers the agreement. The board may include in its resolution conditions under which it would approve the agreement. The local legislative authority may approve the proposed agreement if the conditions are satisfied. If the board does not approve the proposed agreement or if the conditions are not satisfied, the local legislative authority may approve an agreement so long as the exemption does not exceed 50%.

When a proposed CRA assisted project involves the relocation of any portion of the operations of a business that is located elsewhere within the state to a different jurisdiction within the state, the local government of that jurisdiction must provide to the local legislative authority of the county or municipality from which the relocation will occur a notice not less than 30 days before the formal review or approval of the CRA Agreement. The formal notice must include a copy of the agreement to be considered.

Note that while any CRA created prior to July 1, 1994 is "grand fathered" and many of the post July 1, 1994 CRA provisions do not apply, this exclusion is limited in both time and applicability. A pre July 1, 1994 CRA can amend its authorizing legislation twice and still fall within the pre 1994 CRA rules. Any third amendment would impose the post July 1, 1994 CRA rules on that area.

For more information please review Ohio Revised Code Sections 3735.65-70 or contact the Ohio Development Services Agency, Office of Strategic Business Investments – Tax Incentives Section at 614-466-2317.